

IRS News Release

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IRS Provides Transition Relief to Partnerships and Pass-Thru Entities Under New Code Section

IR-2005-25, Mar. 10, 2005

WASHINGTON – The Internal Revenue Service and the Treasury Department today issued guidance providing limited transition relief for certain partnerships and other pass-thru entities that are subject to Section 470 of the Internal Revenue Code which was added by the American Jobs Creation Act of 2004.

This new provision addresses leases of property in sale-in, lease-out transactions involving tax-exempt entities by suspending the deduction for “tax-exempt use losses” on “tax-exempt use property.” This new provision also applies to certain partnerships.

After receiving comments from taxpayers suggesting that certain partnerships may have difficulty applying this provision for 2004, the IRS and the Treasury Department determined that difficulties may exist for 2004 returns with respect to certain property owned by partnerships or other pass-thru entities.

Notice 2005-29 announces that the IRS will not apply Section 470 to partnerships or other pass-thru entities for taxable years beginning before January 1, 2005, for property that is treated as tax-exempt use property solely as a result of the application of Section 168(h)(6). The notice also requests comments on several issues.

"We want to encourage taxpayers to continue to come forward with their comments regarding issues for which guidance under the American Jobs Creation Act should be provided," said Donald L. Korb, IRS Chief Counsel. "After listening to taxpayers' concerns regarding the application of Section 470 to pass-thru entities, we concluded that the limited transition relief provided in the notice is consistent with sound tax administration."

Notice 2005-29 will be published in IRB 2005-13.